

House File 606 - Introduced

HOUSE FILE 606
BY COMMITTEE ON LOCAL
GOVERNMENT

(SUCCESSOR TO HSB 184)

A BILL FOR

1 An Act relating to the operations and dissolution of rural
2 improvement zones and including effective date provisions.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 357H.1, subsection 1, Code 2013, is
2 amended to read as follows:

3 1. The board of supervisors of a county with less than
4 twenty thousand residents, not counting persons admitted or
5 committed to an institution enumerated in section 218.1 or
6 904.102, based upon the 2000 certified federal census, and
7 with a private lake development ~~shall~~ may designate an area
8 surrounding the lake, if it is an unincorporated area of the
9 county, a rural improvement zone upon receipt of a petition
10 pursuant to section 357H.2, and upon the board's determination
11 that the area is in need of improvements and that the use of
12 incremental property taxes under section 357H.9 would not have
13 a substantial detrimental effect on other taxing districts.

14 Sec. 2. Section 357H.4, unnumbered paragraph 2, Code 2013,
15 is amended to read as follows:

16 Within ten days after the hearing, the board shall establish
17 the rural improvement zone by resolution or disallow the
18 petition. However, the zone shall not include any area which
19 is part of an urban renewal area under chapter 403. The
20 decision of the board to establish a rural improvement zone
21 or to disallow the petition shall be given deference by any
22 reviewing court.

23 Sec. 3. Section 357H.7, Code 2013, is amended to read as
24 follows:

25 **357H.7 Board of trustees — power — limitations.**

26 The trustees of a rural improvement zone elected pursuant
27 to section 357H.6 shall constitute the board of trustees of
28 the zone and shall manage and control the affairs, property,
29 and facilities of the zone. The board of trustees shall elect
30 a president, a clerk, and a treasurer from its membership.
31 The trustees may authorize construction, reconstruction,
32 or repair of improvements following procedures set out in
33 section 331.341. For these purposes, the trustees may purchase
34 material, employ personnel, acquire real estate and interests
35 in real estate except by condemnation, and perform all other

1 acts necessary to properly maintain and operate the zone.
 2 The trustees are allowed necessary expenses in the discharge
 3 of their duties, but they shall not receive salaries. A
 4 governmental entity with the authority to acquire property
 5 by condemnation shall not exercise such authority on behalf
 6 of a rural improvement zone or for a purpose related to the
 7 activities of a rural improvement zone.

8 Sec. 4. Section 357H.9, subsection 1, Code 2013, is amended
 9 to read as follows:

10 1. To minimize the use of divisions of revenue by rural
 11 improvement zones, the board of trustees shall consider the
 12 use of other funding sources for improvement projects prior to
 13 approving a resolution to divide taxes under this section. The
 14 board of trustees ~~shall~~ may provide by resolution that taxes
 15 levied on the taxable property in a rural improvement zone each
 16 year by or for the benefit of the state, city, county, school
 17 district, or other taxing district after the effective date of
 18 the resolution shall be divided as provided in section 403.19,
 19 subsections 1 and 2, in the same manner as if the taxable
 20 property in the rural improvement zone was taxable property
 21 in an urban renewal area and the resolution was an ordinance
 22 within the meaning of those subsections. The taxes received by
 23 the board of trustees shall be allocated to, and when collected
 24 be paid into, a special fund and may be irrevocably pledged
 25 by the trustees to pay the principal of and interest on the
 26 certificates, contracts, or other obligations approved by the
 27 board of trustees to finance or refinance, in whole or in part,
 28 an improvement project. The board of trustees is encouraged
 29 to limit the rural improvement zone's reliance and use of
 30 taxes received under this section. As used in this section,
 31 "*taxes*" includes but is not limited to all levies on an ad
 32 valorem basis upon land or real property located in the rural
 33 improvement zone.

34 Sec. 5. Section 357H.10, Code 2013, is amended to read as
 35 follows:

1 **357H.10 Dissolution of zone.**

2 1. The Prior to the date required for dissolution under
3 subsection 2, the rural improvement zone shall may be dissolved
4 upon the adoption of a resolution of the board of trustees
5 which specifies that all improvements have been made in the
6 zone and all indebtedness has been paid.

7 2. Each rural improvement zone is dissolved on the date
8 seven years after the effective date of this Act or seven years
9 after the date that the resolution of the board establishing
10 the zone was adopted, whichever is later. The date required
11 under this subsection for dissolution of a rural improvement
12 zone may be extended by resolution of the board adopted prior
13 to dissolution of the zone to a date not more than seven years
14 after the date required for dissolution under this subsection
15 or a date not more than seven years after the date to which the
16 rural improvement zone was previously extended by the board
17 under this subsection.

18 3. Upon dissolution of the zone, all assets shall be deeded
19 to a nonprofit corporation whose members are property owners of
20 the improvement zone. If a zone is dissolved under subsection
21 2 and indebtedness of the zone remains unpaid on the date of
22 dissolution, such indebtedness shall be assumed by and become
23 an indebtedness of the nonprofit corporation to which the
24 zone's assets are deeded.

25 4. Upon dissolution of the zone, the collection of the
26 property tax authorized under section 357H.8, subsection 4, and
27 the division of taxes authorized under section 357H.9 shall
28 cease immediately.

29 Sec. 6. EFFECTIVE UPON ENACTMENT. This Act, being deemed of
30 immediate importance, takes effect upon enactment.

31 EXPLANATION

32 Current Code chapter 357H authorizes the board of
33 supervisors of a county with less than 20,000 residents
34 based upon the 2000 certified federal census to establish a
35 rural improvement zone in an area surrounding a private lake

1 development located in an unincorporated area of the county if
2 the board determines that the area is in need of improvements.
3 A rural improvement zone is governed by a board of trustees and
4 is authorized to enter into contracts and incur indebtedness
5 to provide funds for the costs of improvements, levy a standby
6 property tax upon taxable property within the zone, and divide
7 property tax revenue from the zone in the same manner as an
8 urban renewal area under Code chapter 403.

9 This bill provides that the board of supervisors may
10 designate an area to be a rural improvement zone if, in
11 addition to other considerations under current law, the board
12 determines that the use of incremental property taxes would
13 not have a substantial detrimental effect on other taxing
14 districts. The bill also provides that the decision of the
15 board to establish a rural improvement zone or to disallow the
16 petition shall be given deference by any reviewing court.

17 The bill prohibits a rural improvement zone from acquiring
18 real estate by condemnation and prohibits a governmental entity
19 with condemnation authority from exercising such authority on
20 behalf of a rural improvement zone or for a purpose related to
21 the activities of a rural improvement zone.

22 The bill requires each rural improvement zone board of
23 trustees to consider the use of other funding sources for
24 improvement projects prior to approving a resolution to provide
25 for the use of incremental property taxes. In addition, each
26 board of trustees is encouraged to limit the reliance on and
27 use of incremental property taxes.

28 Current Code section 357H.10 provides that a rural
29 improvement zone is dissolved upon the adoption of a resolution
30 of the board of trustees which specifies that all improvements
31 have been made in the zone and all indebtedness has been paid.
32 In addition, current law provides that upon dissolution all
33 assets of the rural improvement zone shall be deeded to a
34 nonprofit corporation whose members are property owners of the
35 improvement zone.

1 The bill provides that, in addition to the authority to
2 dissolve the rural improvement zone voluntarily, each rural
3 improvement zone is dissolved on the date seven years after
4 the date that the resolution of the board of supervisors
5 establishing the zone was adopted or seven years after the
6 effective date of the bill, whichever is later. However, the
7 date required for dissolution of a rural improvement zone may
8 be extended by resolution of the board of supervisors adopted
9 prior to dissolution of the zone to a date not more than seven
10 years after the date required for dissolution under the bill
11 or a date not more than seven years after the date to which
12 the rural improvement zone was previously extended by the
13 board of supervisors under the bill. The bill provides that
14 if a rural improvement zone is dissolved by operation of the
15 bill and indebtedness of the zone remains unpaid on the date
16 of dissolution, such indebtedness shall be assumed by and
17 become an indebtedness of the nonprofit corporation to which
18 the zone's assets are deeded. The bill also provides that the
19 collection of the property tax authorized under Code section
20 357H.8(4) and the division of taxes authorized under Code
21 section 357H.9 shall cease immediately upon dissolution of the
22 rural improvement zone.

23 The bill takes effect upon enactment.